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SIPDIS

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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 02/27/09

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Articles:

1) Aso: Japan-U.S. security treaty covers Senkaku Islands

SANKEI (Page 5) (Excerpts)
February 27, 2009

Prime Minister Taro Aso said in a House of Representatives Budget Committee meeting yesterday: "Since the Senkaku Islands are Japan's inherent territory, the Japan-U.S. security treaty covers them." He made this remark in response to a request by Democratic Party of Japan Deputy President Seiji Maehara that the government should ask the U.S. about whether the islands are covered by the treaty.

Aso also said, keeping in mind his conversation with U.S. President Barack Obama when they met on the 24th: "The Japan-U.S. alliance is a living entity. We must continue efforts to prevent the alliance from becoming useless during a contingency."

2) China refutes Aso's remark defining Senkaku Islands as covered by Japan-U.S. security treaty

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NIKKEI (Page 2) (Full)
February 27, 2009

Ken Sato, Beijing

In reaction to Prime Minister Taro Aso's statement that "the Japan-U.S. security treaty will cover the Senkaku Islands (the Diaoyutai Islands)" when they are invaded by an enemy, the Chinese Foreign Ministry spokesman issued this statement:

"We express our strong dissatisfaction. The Diaoyutai Islands are China's inherent territory. From the broad standpoint of stable bilateral relations, Japan should be careful about what it does and says."

3) U.S. avoids specifying "defend Senkaku Islands," in response to Japan's call for confirmation after Chinese ship's intrusion into Japanese waters

YOMIURI (Page 2) (Full)
February 27, 2009

Satoru Ogawa, Washington

The U.S. government has avoided confirming its conventional view that "the Japan-U.S. security treaty is applicable to the Senkaku Islands," according to informed sources yesterday. Japan asked the U.S. to confirm it after a Chinese oceanographic ship intruded into Japanese territorial waters in the southeast of the islands in early December of last year. The Japanese government analyzes that the U.S. side has made a minimal level of reply because the government is now in the transitional period. Considering that the U.S. might be taking such a stance because responsible officials have yet to be appointed, the government intends to ask the U.S. side to confirm it as soon as official appointments are made for the posts of assistant secretary at the State Department and the Defense Department.

Some speculate U.S. consideration to China

Washington has taken the position of maintaining neutrality without intervening in the issue of sovereignty over the Senkaku Islands. However, in 1996, then Deputy Assistant Secretary of Defense Kurt Campbell under the Democratic Clinton administration indicated --

the first time for a high-ranking U.S. official to do so -- that the security treaty covers the Senkaku Islands and that the U.S. is obligated to defend Japan during a contingency.

When Chinese activists landed on the islands in March 2004, during the first-term Republic Bush administration as well, the deputy spokesman of the State Department said in a press conference: "The U.S.-Japan security treaty is applicable to areas under the administration of Japan, so the treaty covers the Senkaku Islands."

The State Department, however, in response to Japan's request for confirming this conventional view, replied last December: "Territorial issues should be settled between the parties concerned in a peaceful manner." In replying to written requests by the Yomiuri Shimbun, the department would only state: "The U.S. abides by international agreements. The U.S. policy stance remains consistent."

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A senior Foreign Ministry official commented: "The U.S. government, in a move to strengthen relations with China, might be giving priority to diplomatic consideration to that nation." In meeting with Prime Minister Aso on Feb. 24, however, President Barack Obama reaffirmed his administration's commitment to defending Japan. Keeping this in mind, the Japanese government intends to cope with the matter in a cool-headed manner.

Aso said in a House of Representatives Budget Committee meeting yesterday: "Since the Senkaku islands are an inherent part of Japan, the Japan-U.S. security treaty covers them." He then emphasized he would ask the U.S. to confirm this once again.

4) Defense Ministry mulls shooting down N. Korean missile

SANKEI (Top play) (Abridged)
February 27, 2009

The Defense Ministry has now begun studying plans to mobilize the Self-Defense Forces' missile defense (MD) system and intercept an advanced model of the Taepodong 2, a North Korean long-range ballistic missile, should North Korea launch the missile at Japan, sources said yesterday. Intercepting it would be the Standard Missile 3 (SM-3), a sea-based intercept missile mounted on Aegis-equipped destroyers, and the Patriot Advanced Capability 3 (PAC-3), a land-based ground-to-air guided missile. The MD system would be actually used for the first time since its introduction. However, intercepting requires a grave political decision. The Defense Ministry will therefore coordinate carefully with the prime minister's office.

The government decided in 2003 to introduce the U.S.-developed MD system. MD counteraction is a double-decker system. First and foremost, a Maritime Self-Defense Force Aegis ship launches an SM-3 missile to shoot down a ballistic missile in outer space. In case the SM-3 fails to hit the missile, the Air Self-Defense Force will back up to intercept the missed target with its ground-based PAC-3 missile.

The MSDF currently stages two SM-3 capable Aegis destroyers. One is the Kongo, which was deployed in 2007, and the other one is the Chokai, which came on in 2008. The ASDF also introduced the PAC-3 to its Iruma base in Saitama Prefecture in March 2007. Beginning with this introduction, the ASDF has now completed PAC-3 deployment to four bases in the metropolitan area. In addition, the ASDF also deployed the PAC-3 to its Gifu base yesterday.

The Kongo test-launched an SM-3 missile in waters off Hawaii in December 2007, and the test was successful. However, the Chokai failed in an even more difficult test that was conducted in November last year. The ASDF test-launched a PAC-3 missile in the U.S. mainland state of New Mexico in September last year for the first time and successfully hit a mock-up projectile.

In July 2006, North Korea launched seven ballistic missiles, including a Taepodong-2 missile. At that time, the SDF had no

intercept system. The Kongo and the Chokai were also in the Sea of Japan and on the Pacific side, but they were only tasked with detecting and tracking ballistic missiles.

To intercept the enhanced Taepodong-2 missile, the government will for the first time invoke an action, newly stipulated in the SDF law

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with the MD system being introduced, to destroy ballistic missiles and other projectiles.

The action for missile destruction is to be taken in two cases: 1) if there are such pre-launch signs as fuel injection, the defense minister, with the prime minister's approval, will order the SDF to intercept; and 2) when it is necessary to watch out for missile testing or other eventualities even though there are no definite signs, the defense minister will have Aegis vessels and other SDF systems prepositioned to intercept in conformity with a prepared outline of countermeasures for emergencies.

5) N. Korea strengthens missile ties with Iran

SANKEI (Page 5) (Abridged)
February 27, 2009

North Korea is now preparing to launch an "artificial satellite" believed to be an advanced model of the Taepodong 2, a long-range ballistic missile. In connection with this project, North Korea has sent missile development researchers to Iran several times in order to deepen mutual exchanges with Iran on missile technology since Japan invoked sanction measures against North Korea in July 2006, the Sankei Shimbun learned yesterday from sources familiar with military affairs between Japan and the United States. Observers say North Korea sent those researchers to Iran for such purposes as acquiring that country's technical know-how for satellite delivery vehicles and missiles in order for North Korea to develop longer-range missiles. As another likely reason, it has become even more difficult than before to secure machinery parts and military potential materials.

Meanwhile, the new Taepodong-2 missile has yet to be set on a launch pad at Musudanri in North Korea's northeastern province of North Hamkyong. However, the projectile was placed beside the launch pad yesterday, according to a source familiar with military affairs between Japan and the United States. "The missile can be raised and fueled in a single day," the source said. North Korea is now about to complete its readiness to launch the missile.

Iran and North Korea have been cooperating with each other as Iranian nuclear development researchers have visited North Korea and North Korea has sold missile-related parts to Iran. Iran has denied the existence of any military relations with North Korea. However, the two countries' technical cooperation has been continuing behind the scenes. Their nuclear-related technologies might have improved markedly.

6) Government and ruling parties explode over Ozawa's remark about only needing U.S. 7th Fleet to defend Japan

TOKYO SHIMBUN (Page 2) (Full)
February 27, 2009

The Aso administration went on the attack yesterday against Democratic Party of Japan (DPJ) President Ichiro Ozawa for his statement that in stationing U.S. forces in Japan, "the presence of the 7th Fleet would be enough." The aim was to raise doubts about the capability of the DPJ to administer the country if it is to destabilize the Japan-U.S. alliance, as well as to unsettle the united front of the opposition parties.

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Chief Cabinet Secretary Takeo Kawamura told the press corps, "His thinking about limiting the presence of the U.S. forces to the 7th

Fleet is unrealistic."

In meetings yesterday, every faction of the Liberal Democratic Party (LDP) showered Ozawa with a rain of criticism, with former LDP Vice President Taku Yamasaki of the Yamasaki faction saying, "If an Ozawa-led DPJ administration were to become a reality, Japan's national security would be shaken to its very foundation. The Japan-U.S. alliance would start to fall apart."

Former Chief Cabinet Secretary Nobutaka Machimura of the Machimura faction, in addition to advocating that the Ozawa statement be made a campaign issue in the next Lower House election, said, "I would like many in the local areas to say what kind of irresponsible foreign and national security policy this is."

The Ozawa statement premised a massive reduction of the U.S. forces stationed in Japan and in turn, Japan shouldering some of that role. If the gap created by the departing U.S. forces is to be filled, Japan would have to increase its defense power. This point, too, received criticism, with Machimura stating, "There would be momentum building to increase the defense budget three to five times, but such would be reckless debate."

Former Finance Minister Fumiaki Ibuki said, "I wonder if the Social Democratic Party (SDP) will go along with this concept and cover the increase in Japan's defense power." He sought to arouse the SDP, which will be cooperating with the DPJ in the next Lower House election.

7) Prime Minister Aso: Ozawa lacks knowledge of defense

TOKYO SHIMBUN (Page 2) (Full)
February 27, 2009

Prime Minister Aso last evening criticized Democratic Party of Japan (DPJ) President Ichiro Ozawa for his remark about the 7th Fleet of the U.S. Navy being enough (to defend Japan). In a reply to a question from the press corps, he said, "A person with knowledge of defense would never make such a remark." The Prime Minister pointed out: "Japan has neighboring it a country that tests nuclear weapons, that is ready to launch (nuclear-tipped) missiles called the Nodong. If one thinks about Japan's security, the air power (of the U.S. armed forces) is a vital element."

8) Japan to provide 19.5 billion yen in assistance for reconstruction efforts in Gaza Strip

MAINICHI (Page 2) (Full)
February 27, 2009

Mainichi Shimbun learned on February 26 through a government source that the Japanese government is now coordinating an announcement that it will provide roughly 200 million dollars or about 19.5 billion yen. The aid will be announced at a conference on assistance for the reconstruction of the Gaza Strip to be held in Egypt on March 2. Japan has already extended emergency financial assistance worth 10 million dollars or roughly 980 million yen to the Gaza Strip.

The conference will be joined by about 70 countries, including the

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U.S. and European and Middle Eastern countries. Participants will confer on how to share the cost of reconstructing public facilities destroyed in attacks by the Israeli military -- 2.8 billion dollars or about 273 billion yen. Senior Vice Foreign Minister Shintaro Ito will likely attend the meeting from Japan. Secretary of State Clinton will attend from the U.S. She is expected to announce that the U.S. will disburse 900 million dollars or about 88 billion yen.

9) Fiscal 2009 budget to clear Lower House today

TOKYO SHIMBUN (Page 2) (Full)
February 27, 2009

The fiscal 2009 budget and related bills will clear the House of

Representatives today after they are adopted in a Lower House plenary session this afternoon. Before they are sent to the plenary session, they will be approved the Lower House Budget Committee, Financial Affairs Committee and Internal Affairs Committee. Based on a constitutional rule, the budget and related bills will be enacted before the March 31 end of current fiscal year.

In a meeting yesterday of the House of Councillors Diet affairs chiefs, the ruling Liberal Democratic Party (LDP) and main opposition Democratic Party of Japan (DPJ) agreed to take a vote on bills related to the second supplementary budget for fiscal 2008, designed to secure funds for the cash-hand out program, on March 3 in Financial Affairs Committee session and Upper House plenary session on March 4. The bills will be voted down by a majority of lawmakers from the opposition parties. The ruling coalition is expected to hold a Lower House plenary session as early as March 4 to readopt them with a two-thirds override vote.

The Upper House Budget Committee agreed in a meeting of its directors to carry out a question-and-answer session on March 5 and 6 at the attendance of Prime Minister Taro Aso. In order to enact the fiscal 2009 budget and related bills before the end of current fiscal year, the ruling parties will ask the opposition camp to take a vote as early as possible.

10) Prime Minister Aso delays order to look into additional economic package to avoid impact on budget deliberations

NIKKEI (Page 2) (Full)
February 27, 2009

Although the government is actually working on drafting up additional economic stimulus measures, Prime Minister Taro Aso will likely put off to next week or later ordering senior ruling coalition members to consider such a package. The Prime Minister originally planned to give that order immediately after the fiscal 2009 budget and related bills are passed in the House of Representatives. However, the House of Councillors is still deliberating bills related to the second supplementary budget for fiscal 2008. Aso will forgo giving the order until after the related bills are readopted with a two-thirds lower chamber majority override vote.

Aso had intended to order to senior ruling camp officials the planning of the additional economic stimulus package soon after the fiscal 2009 budget cleared the Lower House on Feb. 27. Chief Cabinet Secretary Takeo Kawamura took a cautious stance toward Aso's plan at a press conference yesterday. He stated: "We must hurry the passage

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of the fiscal 2008 second extra budget and related bills. We will concentrate on that."

In managing Diet affairs, there is a risk in compiling an additional economic package now. The reason is because compiling another economic package means that the government and ruling parties admit that the fiscal 2009 budget is insufficient. This, as a result, would give the opposition camp a good cause to demand corrections and re-submission. In order to avoid such a situation, Aso has to continue saying that he has yet to give an order.

Aso is playing it safe. He has decided to wait until the fiscal 2009 budget is adopted by the Lower House, which means the budget is certain to be enacted. He will then give the order to compile the additional economic package, directing it to senior ruling coalition members instead of his cabinet ministers.

The miscalculation was the bills related to the fiscal 2008 second extra budget including fiscal resources for the cash-handout program. Although the second supplementary budget itself cleared the Diet in late January, passage of the related bills has been delayed due to confrontation between the ruling and opposition camps. Following former Prime Minister Junichiro Koizumi, who revealed his intention to absent himself from voting in the Lower House, other Liberal Democratic Party (LDP) lawmakers might defy the party.

Judging that barriers against the fiscal 2008 second budget related bills are high, Aso decided to give the order after the related bills were readopted in the Lower House. The present situation of the Aso administration, which needs to give consideration not only to the opposition camp but also to the ruling parties, has put off efforts to come up with an additional economic package.

11) Hidenao Nakagawa absents himself from attending Machimura faction meetings

NIKKEI (Page 2) (Full)
February 27, 2009

The Machimura faction, the largest in the ruling Liberal Democratic Party (LDP), is now pushing ahead with a review of its management system. Former Prime Minister Yoshiro Mori, who had announced his intention to leave the faction, attended a meeting on Feb. 5 for the first time in three weeks. Former Secretary General Hidenao Nakagawa, however, has failed to attend the faction's meeting for three weeks. With a move to exclude Nakagawa from the mainstream, some faction members are growing dissatisfied with the leadership.

Nobutaka Machimura, chair of the faction, introduced Mori with a smile in a meeting yesterday, saying: "It is not that he left our faction but he was unable to show up on account of some business." Mori is expected to attend faction's meetings from now on, changing his present title as supreme advisor to the faction.

Mori proposed in a meeting on Feb. 5 that Machimura head the faction and Nakagawa be demoted. Faced fierce opposition from faction members close to Nakagawa, Mori revealed his intent to leave the faction in order to put the turmoil behind him.

Meanwhile, Nakagawa has not attended meetings since the Feb. 5 meeting. Machimura told reporters yesterday: "I have often asked Mr. Nakagawa to attend, but he appears to be busy." Mori's return to the

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faction appears to have given strong backing to Machimura. One lawmaker close to Nakagawa said: "Mr. Mori's influence will not continue forever. Didn't he promise to leave the faction?" Some faction members criticize the Mori-Machimura management setup.

12) U.S. President Obama submits budget message to Congress:
Economic stimulus measures to rely on borrowing for time being;
Purchases of Treasury bonds by Japan unavoidable

TOKYO SHIMBUN (Page 8) (Full)
February 27, 2008

Masakazu Furukawa, Washington

U.S. President Obama included a long-term fiscal reconstruction policy in the framework of the Budget Message for fiscal 2010 (October 2009 - September 2010), which he submitted to Congress on February 16. In reality, however, the U.S. has to rely on the issuance of Treasury bonds to finance its economic stimulus package for the time being. Japan will likely be asked to purchase a massive amount of U.S. Treasury bonds.

Even though President Obama has so far recognized the need for fiscal reconstruction, he noted that it was necessary to increase public spending for economic recovery for the time being. Based on that stance, he has been seeking understanding of a temporary expansion of the fiscal deficit.

However, an expanded fiscal deficit will trigger a drop in the value of the dollar, rocking confidence in the greenback as the international key currency. If a weak dollar trend continues, prices of such commodities as crude oil and grains, for which payments are made in dollars, could soar, giving rise to global inflation. A fall in the value of the U.S. Treasury bonds, which the governments of many countries and major central banks have purchased as secure assets, would be a serious blow.

It is imperative for Japan to help the U.S. reconstruct its economy.

That is because the sluggish U.S. economy as well as a weak dollar and a fall of the U.S. Treasury bonds will deal a blow to the Japanese economy, as well. Prime Minister Taro Aso during a press conference after the bilateral summit in Washington on the 24th denied any request from the President to purchase U.S. Treasury bonds. However, in order to reconstruct the Japanese economy, too, Japan now has no other choice but to purchase U.S. government bonds.

13) Administrative surcharge system to be toughened: FTC releases draft amendment to Anti-Monopoly Law

MAINICHI (Page 2) (Full)
February 27, 2009

The Fair Trade Commission (FTC) on February 26 released a draft amendment to the Anti-Monopoly Law. The amendment features an expanded scope of the application of administrative surcharges imposed on irregularities, as well as toughened penalties, such as increasing administrative surcharges imposed on companies that played a leading role in bid-rigging activities (dango) to 50 PERCENT . The Commission plans to submit it to the Diet after securing approval at a cabinet meeting on the 27th and put it into force starting next spring at the earliest.

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This is the first amendment to the law since 2005. The key element of the draft is a review of the administrative surcharge system. Under the amended law, dumping, the abuse of dominant bargaining position against subcontractors and exclusive private monopolization, which refers to exclusion of competitors from the market, using unlawful means, will be subject to surcharges.

Since there is no end to cartels and bid-rigging activities, the FTC will reinforce the administrative surcharge system, by increasing surcharges on companies that played a leading role in those activities and exempting or reducing surcharges on companies that voluntarily submitted information on their illegal trade practices before coming under scrutiny. Such surcharges on major manufacturers will be increased from the current 10 PERCENT to 15 PERCENT . A prison term sentenced to individuals will be raised from "three years or less" to "five years or less."

An additional rule stipulating that the judgment system, under which the FTC decides the propriety of administrative punishments it imposed, should be reviewed within fiscal 2009 has also been set up. The FTC submitted in March last year an amendment bill that included an additional rule stipulating that the system should be reviewed within fiscal 2008. However, the bill was scrapped, faced with opposition from the Democratic Party of Japan, which insists on the total abolition of the system.

ZUMWALT